



SENATOR ROBERT D. GARTON

serving district 41: bartholomew and johnson counties

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Senate Releases Budget Plan

Senate Republicans unveiled a two-year budget plan this week that will control state spending while boosting K-12 education, Medicaid, and child protection funding.

This is a very responsible budget that manages to fund the state's obligations while at the same time holding the line on spending.

The amendment to House Bill 1001 [see below for details] does not include any general tax increases, limits the growth of government and eliminates the structural deficit and funds Medicaid at a higher level than the version that the House delivered to the Senate.

In addition, the proposal rebuilds the state's reserves and reduces accumulated payment delays to schools and local governments up to 50 percent in an effort to restore the state's financial viability.

We have accomplished far more than anticipated in this budget. The most pleasing aspect of the bill is that it actually increases total funding for K-12 education, continuing our commitment to Indiana's schools.

The General Assembly has increased education spending in past years, even when other states were cutting education. In 2003, Indiana had the highest increase of K-12 funding in the country, even during a national recession.

The budget will eliminate the approximately \$600 million unfunded liability in the 1996 Teacher's Retirement Fund, directs all new teacher/administrator transfers to the old fund, and provides school corporations with an affordable contribution rate.

The budget plan also funds Governor Mitch Daniels' priorities for the Office of Management and Budget (OMB), Inspector General, Office of Technology, Indiana Economic Development Corporation (IEDC), Department of Agriculture and Department of Child Services. The bill allocates funds to hire a total of 400 child services caseworkers over the next two years.

BUDGET BASICS

General Fund Spending Levels:

- FY06 total spending increases over FY 05 estimated - \$291.4M or 2.5% includes \$255.2M for:
 - \$55.9M for School Formula
 - \$67.9M for Medicaid
 - \$40.9M for FSSA and Health (includes 400 additional child protection case workers, emergency developmentally disabled adult placements)
 - \$32.7 for state and university capital and lease rentals for debt service
 - \$31.3M for local property tax relief (PTRC)
 - \$16.0M for Teacher's Pensions
 - \$10.5M for SSACI

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BUDGET BASICS, CONT.

- FY07 total spending increases over FY 06 - \$163.9M or 1.4%
- Eliminates the State's structural deficit
- Repays up to 50% of accumulated payment delays to universities, schools and local government
- Adds \$100M to the State's Rainy Day Fund
- Leaves combined GF/PTRF balance of about \$700M on June 30, 2007

General Government:

- Funds a new Office of Management and Budget, Office of Technology and Inspector General
- Includes funds for employee pay and benefits raises of about 2.5%

School Formula:

- Increases the 2005 Calendar Year Cap by \$36.5M to fund FY05 deficiency. Funds the FY05 deficiency at a maximum of \$20M using excess FY 04 appropriation
- Total Formula Increase - 1.2% for FY 06 and 1.3% for FY 07
- Increase in State Tuition Support appropriation of \$39.2M or 1.1% for FY 06 (after increasing FY05 By \$20M for deficiency)
- Estimated statewide levy (or equivalent County Income Tax) increase of 4.1% and 4.0%
- All School Corporations funded on a Foundation basis. (Eliminates Minimum Guarantee and Variable Grant calculations)
- Funds Charter Schools through the Foundation like all other schools, No separate cap
- Moves kindergarten start date from July to August in 2006
- Schools are allowed to increase the Debt Service Levy to pay for unreimbursed textbooks for students eligible for free and reduced lunches

Other K-12 Education:

- Adds a new Discretionary Spending Account - \$78 M in FY06 and \$82M for FY07
- Provides a \$66 Foundation for all students multiplied by the Complexity Index to provide additional money for at-risk students
- Funds can be used for Summer School, Remediation, Professional Development, Gifted & Talented, Full Day Kindergarten, Technology, and other programs approved by DOE
- Provides a COLA for 2006 for Retired teachers

Department of Correction and Other Public Safety:

- Flatlines appropriations at FY 05 actual spending level except for Community Corrections
- Community Corrections - Adds \$5M to current spending levels to reach \$55.7M for the biennium
- Dedicates full \$1.25 BMV fee to Hoosier SAFE-T (800 MHz) - \$13.2M /yr
- Funds new State Police Lab - \$4.3/yr

Higher Education:

- Funds Enrollment Growth at 60% and 90% of CHE recommendation prior to general reduction for all campuses
- Funds Research Support at CHE recommendation for IUB and PUWL prior to general reduction for all campuses
- Increases funding for building Repair and Rehabilitation

by \$12.7M or 100% for FY 06 and F 07 (Funds 50% of 03-05 annual R&R formula)

- Fee Replacement - Increases Fee Replacement by \$3.2M for FY06 and \$17.7M for FY07 (FY07 funds debt service for construction authorized in this budget)
- Increases total operating by \$2.0M or .2% for FY06 and FY07
- SSACI - Increases of about \$10.5M or 5.6% for FY06 and \$21.2M or 10.7% for FY07. Maintains maximums at \$4,700 per student for public schools and \$9,100 for private schools
- Reduced 21st Century Scholars Administration by \$2.1M
- Requires the CHE to establish a Core Transfer Library to facilitate credit transfers across all campuses
- Requires universities to hold public hearings and set tuition increases for a two year period
- No funding for IU Division of Labor Studies in Continuing Education, reduces IHETS appropriation by \$3M, reduces the Indiana Career and Postsecondary Advancement Center to \$1, discontinues funding for Young Abe Lincoln in FY07

Medicaid:

- Increases funding at 5% per year - \$67.9M for FY06 and \$69.9M for FY07
- Includes provisions for cost reduction as follows:
 - * Requires OMPP to request amendments to the State Plan to require prior approval for certain dental services and eliminate chiropractic services for children under 12 unless determined medically necessary
 - * Strengthens provisions relating to property liens for Medicaid recipients

FSSA and Other Health:

- Funds a new Department of Child Services
- Adds \$1M per year for Independent Living assistance for persons moving off foster care
- Adds \$2M per year for Community Mental Health Centers
- Adds funding for 400 additional caseworkers for child protection
- CHOICE:
 - * FY05 appropriation level for both years - \$48.7M
 - * Establishes an asset ceiling for CHOICE recipients
 - * Requires a person be denied eligibility for Medicaid to be eligible for CHOICE
 - * Requires a person to be unable to perform at least 3 or more activities of daily living
 - * Requires FSSA instead of AAA's to set reimbursement rates and requires that CHOICE reimbursement rates cannot exceed Medicaid A&D reimbursement rates
- Specifies the State is payer of last resort for First Steps, modifies co-pays, other program changes
- Eliminates local Step Ahead Councils
- Provides funding for ICHIA - \$30.5M and \$32.2 M in FY06 and FY07

Teacher's Retirement Fund:

- Eliminates the \$610M Unfunded Liability in the New Fund (by allocating funds from the PSF to cover accrued unfunded transfer liability)